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China, Peoples Republic of

Agricultural Situation

Weekly Hongbao - Special Dairy Scandal Addition

2008

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Report Highlights:

This report provides a synopsis of Trade Policy News in China. Trade Policy News includes: 1) Quality Watchdog Chief Quits Amid Milk Scandal 2) EU Bans Certain Food Imports from China Agricultural/Commodities News includes 1)Source of the Contamination 2)Chinese Milk Found Chemical Free 3)Wen Promotes Overhauls, While Lawyers are Being Hushed 4)Table of Chinese Dairy Companies Found to Have Produced Tainted Products

Includes PSD Changes: No
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Trade Policy News

Quality Watchdog Chief Quits Amid Milk Scandal

On September 22, Li Changjiang announced his resignation as the Minister of the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), owning "responsibility for the milk food contamination". Mr. Li, who vacated the office he served for seven years, and would have retired in another year. The minister of the country's top quality watchdog is the highest-ranking official to lose his job because of the contaminated milk scandal. The State Council, which earlier decided AQSIQ had to own "supervision responsibility for the milk contamination", accepted the 64-year-old's resignation. The country's cabinet took the decision in accordance with official accountability regulations, and appointed Wang Yong, former deputy secretary-general of the State Council, to replace Li. Wu Xianguo, Party chief of Shijiazhuang, was removed for his failure to report the scandal to the higher authorities in time and for his incompetent handling of the incident. Ji Chuntang City mayor, Vice-mayor Zhang Fawang and three other officials had been removed earlier. (Source: China Daily; September 23)

EU Bans Certain Food Imports from China

A Europe Union-wide ban on all infant food of Chinese origin was recently implemented. The ban comes amid growing concern over contaminated milk powder which has already caused infant deaths in China and affected approximately 70,000 more children. An EU Commission spokeswoman said individual EU countries - and some sectors of the food industry - had already announced particular bans, however Brussels has now activated an explicit ban on all products from China aimed at infants and young children which could pose a threat of contamination, but the spokeswoman emphasized: "As far as we know there has been no contamination in food originating from China which has already been imported into the EU." (The Press Association; September 29)

Commodities

Source of the Contamination

The scandal over contaminated infant formula in China has highlighted the failings of China's regulatory system to protect consumers. There have been four deaths and tens of thousands of children made ill by the addition of the industrial compound melamine to infant formula, and it is now clear that other milk products are also potentially contaminated. According to New Zealand government officials and members of the dairy industry, this case was the result of several chronic weaknesses in the management of China's dairy industry. One of the most critical problems is that dairies collect much of their milk from independent, unregulated milk station intermediaries and farmers who are being squeezed by falling milk prices and rising feed prices. The main culprit in the infant formula case, Sanlu, had been exempted from government inspection since 2005. Even after the company discovered the contamination, Sanlu and local government officials initially tried to cover it up. However, Sanlu's minority New Zealand joint venture partner, the Fonterra Cooperative Group, finally contacted its embassy in Beijing, which then reported the problem to China's central government. The central government thereupon began a recall of the contaminated products and launched a larger investigation of all Chinese origin dairy products. The Government of China is now considering measures to reform the entire dairy industry.

Chinese Domestic Milk Found Chemical Free

Milk quality testing continues throughout China in the wake of a deadly contamination scandal. None of the toxic chemical melamine was found in 763 samples of China's major milk brands since Wednesday, said AQSIQ on Sunday. 55 domestic brands across the country's 19 major cities including Beijing, Shanghai, Tianjin and Chongqing, among others were tested. The quality watchdog also ordered shopping malls and supermarkets nationwide to display lists of safe dairy producers and products, and to put "safe" tags on items for sale. China's Ministry of Commerce recently urged local authorities to take tangible measures to regulate and stabilize the dairy market in the country's vast rural areas. China's Ministry of Agriculture said eight inspection groups from the central government were pushing forward the quality rectification efforts in milking stations, dairy farms and feedstuff plants among 16 major dairy production provincial areas nationwide. Agriculture minister Sun Zhengcai called on farm agencies to strive to safeguard dairy farmers' interests and promote the healthy development of the dairy industry. (Source: Xinhua September 28)

Wen Promotes Overhauls, While Lawyers are Being Hushed

China's Premier Wen Jiabao defended his government's handling of a scandal over tainted milk products and promised to fix the country's dairy industry; however, lawyers advising some of the scandal's victims said they have been cautioned by local officials to limit their activities. Speaking at the World Economic Forum in the Chinese port city of Tianjin, Mr. Wen said the dairy crisis "exposed the fact that there are still many problems in our supervision of production, and the government has responsibility." He said the incident served as an "alert" for the whole country and said there has been no effort to conceal the problem, despite evidence that the company at the center of the scandal worked with local government officials to keep it from becoming public for weeks or even months. The Government of China's own reconstruction of events shows that officials at Sanlu received reports late last year that its milk powder was making infants sick, and knew by early August that the product was tainted with the industrial chemical melamine. Melamine has since been found in a wide range of Chinese dairy products, although Sanlu's products have had the highest levels. At least three infants have died after consuming tainted formula and more than 54,000 have been sickened with kidney disease, according to the government. Lawyers across China have been advising victims' families on possible lawsuits against Sanlu, and some of the lawyers said they are being pressured by local officials to curtail or end their work. (The Wall Street Journal, September 29)

Table: Companies found to have melamine in their infant formula (as September 17, 2008):

No.	Company	Product	Total Samples Drawn	Samples Tested Positive	Maximum level of melamine detected (mg/kg)
1	Shijiazhuang Sanlu Group Co. Ltd	Sanlu infant milk formula	11	11	2563
2	Shanghai Panda Dairy Co Ltd	Panda Kebao infant milk formula	5	3	619
3	Qingdao Shengyuan Dairy Co. Ltd	Shengyuan infant milk formula	17	8	150
4	Shanxi Gucheng Dairy Group Co	Gucheng infant milk formula	13	4	141.6
5	Jiangxi Guangming Yingxiong Dairy Co. Ltd.	Yingxiong infant milk formula	2	2	98.6
6	Baoji Huimin Dairy Group Co	Huimin infant milk formula	1	1	79.17
7	Inner Mongolia Mengniu Group Co. Ltd.	Mengniu infant milk formula	28	3	68.2
8	China-Australia joint venture Duojiaduo Dairy (Tianjin) Co Ltd	Keqi infant milk formula	1	1	67.94
9	Guangdong Yashili Group Co., Ltd.	Yashili infant milk formula	30	8	53.40
10	Hunan Peiyi Dairy Co. Ltd	Nanshan Beiyi infant milk formula	3	1	53.4
11	Heilongjiang Qining Dairy Co Ltd	Infant milk formula stage II based powder	1	1	31.74
12	Shanxi Yashili Dairy Co Ltd	Yashili infant milk formula	4	2	26.30
13	Shenzhen Jinbishi Dairy Co Ltd	Jinbishi infant milk formula	2	2	18
14	Shi'en (Guangzhou) infant nutrition Company Ltd	Shi'en infant milk formula	20	4	17
15	Guangzhou Jinding Dairy Plant	Jinding infant milk formula	3	1	16.20
16	Inner Mongolia Yili Industrial Group Co. Ltd	Yili children's milk formula	35	1	12
17	Yantai Aomeiduo Nutrition Co Ltd	Aomeiduo infant milk formula	6	6	10.70
18	Qingdao Sukang Nutrition Sci-Tech Co	Aikeding infant milk formula	3	1	4.80

	Ltd				
19	Xi'an Yanliang District Baiyue Dairy Co Ltd	Yubao infant milk formula	3	1	3.73
20	Yantai Leilei Dairy Co Ltd	Leilei infant milk formula	3	3	1.20
21	Shanghai Baoanli Dairy Co Ltd	Baoanli infant milk formula	1	1	0.21
22	Fuding City Chenguan Dairy Co Ltd	Cong'erzhuanng infant milk formula	1	1	0.09